SaskTel

Financial Statements of

DIRECTWEST PUBLISHING PARTNERSHIP

December 31, 2003

President's Message

DirectWest Publishing Partnership ("DirectWest") operates as a wholly owned business unit of Saskatchewan Telecommunications Holding Corporation (SaskTel). With a head office in Regina and a branch office in Saskatoon, the company has 110 employees in Saskatchewan.

DirectWest's focus is to be the leader in bringing buyers and sellers together through both print and online advertising mediums. DirectWest publishes and distributes ten telephone directories within the cities and districts across Saskatchewan, as well as having all directories online at Saskatchewan's leading Internet portal www.mysask.com. DirectWest also provides customers with Internet Business Solutions including web site development, online advertising, email marketing and e-commerce solutions. Through the Agricultural Services Division, DirectWest has diversified its product and customer base to extend advertising services specifically targeted to Agricultural customers across Canada.

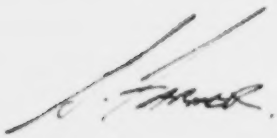
2003 was an excellent year for DirectWest. In a challenging economic environment, and in the face of increased levels of competition, operating revenues increased by 3.0% to reach a record high of $34.7 million. While additional resources were invested to grow new business lines and meet competition, effective cost management kept growth in expenses below the growth rate of revenue. As a result, income from operations rose by 7.5% and the company generated a record level of net income for the year.

There were many challenges in agriculture markets during 2003, from the lingering effects of drought in Western Canada, to the BSE crisis, to reduced grain prices caused partly by the effect on exports related to the rise in the Canadian dollar. Nevertheless, DirectWest agricultural advertising revenues increased by 27% over 2002, and the Ag Dealer product line was expanded into Saskatchewan and Alberta, so that it now covers all major agricultural markets across Canada.

Results for the core Saskatchewan directory business were once again outstanding in 2003. Revenue and earnings both reached record highs, and all quality and customer performance measurements met or exceeded targets. DirectWest's market share increased from 91% in 2002 to 93% in 2003. Internet traffic continued to grow and the www.mysask.com internet portal continued to set usage records.

One of the most gratifying highlights for DirectWest in 2003 is that overall customer satisfaction, which is surveyed by an independent research firm, rose for the 4th consecutive year to reach 94%.

Looking forward, directory competitors will continue to get stronger as they refine their marketing strategies and develop uniquely scoped telephone books. A large international directory competitor (Verizon/SuperPages) is entering the Saskatchewan market in 2004 and will compete both in print and on the Internet. Increased competition, a mature directory product, and the struggling agricultural sector pose challenges for 2004, however, DirectWest still expects to achieve modest growth and maintain the company's leadership position, DirectWest's internet business solutions will continue to lead and innovate, and further growth is expected in this area. In the agricultural advertising area, DirectWest's products are also expected to show year over year growth, however, this growth may be limited by the current challenges in the agricultural sector. Overall, DirectWest is expecting to deliver moderate revenue growth and further increased profitability for 2004.



Gord Farmer,
President, DirectWest

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AUDITORS' REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan

We have audited the statement of financial position of DirectWest Publishing Partnership as at December 31, 2003 and the statements of operations, partner's equity and cash flows for the year then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Regina, Canada
January 20, 2004

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative.

DirectWest Publishing Partnership

STATEMENT OF OPERATIONS

For the year ended December 31 (Thousands of dollars)	**2003**	2002
Gross revenue	**$ 34,747**	$ 33,732
Cost of sales	**8,520**	8,504
Gross profit	**26,227**	25,228
Operating expenses	**24,510**	23,631
Income from operations	**1,717**	1,597
Net interest income	**60**	32
Non-controlling interest	**-**	109
Income before the following	**1,777**	1,738
Write-down of investment	**-**	(20)
Net income	**$ 1,777**	$ 1,718

See accompanying notes

STATEMENT OF PARTNERS' EQUITY

For the year ended December 31 (Thousands of dollars)	**2003**	2002
Balance, beginning of year	**$ 9,179**	$ 8,536
Net income	**1,777**	1,718
	10,956	10,254
Contributions	**-**	471
Withdrawals	**(2,899)**	(1,546)
Balance, end of year	**$ 8,057**	$ 9,179

See accompanying notes

DirectWest Publishing Partnership

STATEMENT OF FINANCIAL POSITION

As at December 31 (Thousands of dollars)	**2003**	2002
ASSETS		
Current assets		
Short-term investments *[Note 3]*	**$ 1,095**	$ 1,264
Accounts receivable	**3,384**	4,050
Inventory	**103**	116
Prepaid publishing costs	**5,377**	5,442
Prepaid expenses	**53**	34
	10,012	10,906
Property, plant and equipment *[Note 4]*	**2,339**	2,890
Goodwill	**232**	232
	$ 12,583	$ 14,028
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities		
Bank indebtedness	**$ 393**	$ 429
Accounts payable	**1,265**	1,619
Partners' withdrawals payable	**370**	324
Deferred revenue	**2,498**	2,477
	4,526	4,849
Partners' equity	**8,057**	9,179
	$ 12,583	$ 14,028

See accompanying notes

On behalf of the Partners:

3364381 Canada Ltd.
Dan Baldwin

3339807 Canada Ltd.
Randy Stephanson

DirectWest Publishing Partnership

STATEMENT OF CASH FLOWS

As at December 31 (Thousands of dollars)	**2003**	2002
Cash provided by (used in):		
Operating activities		
Net income	**$ 1,777**	$ 1,718
Items not affecting cash from operations *[Note 5]*	**948**	1,096
Net change in non-cash working capital balances *[Note 6]*	**392**	(425)
	3,117	2,389
Investing activities		
Property, plant and equipment expenditures	**(397)**	(629)
Financing activities		
Repayments of long-term debt	**-**	(823)
Partners' contributions	**-**	471
Partners' withdrawals	**(2,853)**	(1,555)
	(2,853)	(1,907)
(Decrease) in cash during the year	**(133)**	(147)
Cash and cash equivalents, beginning of year	**835**	982
Cash and cash equivalents, end of year	**$ 702**	$ 835
Comprised of:		
Short-term investments	**$ 1,095**	$ 1,264
Bank indebtedness	**(393)**	(429)
	$ 702	$ 835
Interest paid	**$ -**	$ 17

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

Note 1 -- Organization

DirectWest Publishing Partnership (the Partnership) markets and supplies print and internet advertising, marketing and business solutions for Saskatchewan and agricultural businesses. The Partnership's main product lines include the Saskatchewan Telecommunications (SaskTel) telephone directories, on-line directories at SaskTel's internet portal, mysask.com, and agricultural publications.

As the Partnership is unincorporated, no provision has been made in the accounts for partners' income taxes. These statements are of the Partnership only and do not include any other assets, liabilities, revenues or expenses of the partners.

The Partnership is wholly owned by Saskatchewan Telecommunications Holding Corporation (Holdco) and the financial results are included in the consolidated financial statements of Holdco.

Note 2 -- Significant accounting policies

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

Short-term investments

Short-term investments represent interest bearing investments with Holdco that are due on demand and are stated at cost which approximates market value.

Prepaid publishing costs

The Partnership defers expenses that are directly related to its publications, including printing and distribution costs, direct production salaries and salaries of sales staff. These costs are charged to income over the life of the related publication. Indirect costs are expensed as incurred.

Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and amortization. Depreciation and amortization is calculated on a straight-line basis over the useful lives of the assets.

Goodwill

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets may be impaired. The Corporation identifies goodwill impairment by comparing the fair value of its reporting units to their carrying amounts. Fair values of reporting units are calculated using industry specific valuation methods which include the discounted cash flow, earnings multiple and market comparability approaches. Any goodwill impairment is recorded as a charge against earnings in the year the impairment is recognized.

Revenue recognition

Revenue from the sale of print and internet advertising is recognized over the term of the contract.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

Note 2 -- Significant accounting policies (continued)

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the year-end exchange rates. Revenues and expenses are translated at rates of exchange prevailing on the transaction dates.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods.

Note 3 – Short-term investments

The balance represents funds invested with Holdco at an effective average interest rate of 2.34% (2002 – 2.53%).

Note 4 -- Property, plant and equipment

Asset	Useful life
Office furniture, equipment and leaseholds	2-10 years

	Cost	Accumulated depreciation and amortization	Net book value	
			2003	2002
			(Thousands of dollars)	
Office furniture, equipment and leaseholds	**$ 7,323**	**$ 4,984**	**$ 2,339**	$ 2,890

Depreciation and amortization expense is included in the statement of operations as follows:

	2003	2002
	(Thousands of dollars)	
Cost of sales	**$ 404**	$ 404
Operating expenses	**540**	717
	$ 944	$ 1,121

Note 5 -- Items not affecting cash from operations

	2003	2002
	(Thousands of dollars)	
Depreciation and amortization	$ 944	$ 1,121
Other	4	(25)
	$ 948	$ 1,096

Note 6 -- Net change in non-cash working capital balances

	2003	2002
	(Thousands of dollars)	
Accounts receivable	$ 666	$ (434)
Inventory	13	110
Prepaids	46	59
Accounts payable	(354)	(131)
Deferred revenue	21	(29)
	$ 392	$ (425)

Note 7 -- Financial instruments

Credit risk
Pursuant to an agreement, the Partnership mitigates its credit risk by selling its receivables to SaskTel for a fee.

Fair value
The carrying amounts of short-term investments, accounts receivable, bank indebtedness, accounts payable and partners' withdrawals payable approximate fair value due to the short-term nature of these financial instruments.

Note 8 -- Related party transactions

Included in these financial statements are transactions with Holdco and its subsidiaries, various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to Crown Investments Corporation of Saskatchewan (CIC) by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Other transactions in the normal course of operations are recorded at the exchange amount which is the amount of consideration established and agreed to by the related parties. These transactions and amounts outstanding at year-end are as follows:

	2003	2002
	(Thousands of dollars)	
Sales	**$ 1,944**	$ 1,748
Purchases of goods and services	**14,093**	12,382
Accounts receivable	**3,032**	3,732
Accounts payable	**108**	154

In addition, the Partnership pays Saskatchewan Provincial Sales Tax to the Saskatchewan Department of Finance on all taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other amounts and transactions due to (from) related parties and terms of settlement are described separately in these financial statements and notes thereto.

Note 9 -- Commitments

The Partnership is committed to operating leases for office premises in each of the next five years as follows:

	(Thousands of dollars)
2004	$ 175
2005	$ 183
2006	$ 178
2007	$ 104
2008	$ -

In addition, the Partnership has contracted to purchase approximately $1.1 million of newsprint during each of 2004 and 2005.

Note 10 -- Comparative figures

2002 figures have been reclassified to conform to the current year's presentation.